SASKATCHEWAN DEVELOPMENT FUND CORPORATION

AND

SASKATCHEWAN DEVELOPMENT FUND

1985 ANNUAL REPORT

86-04970/

SASKATCHEWAN DEVELOPMENT FUND CORPORATION

AND

SASKATCHEWAN DEVELOPMENT FUND

ANNUAL REPORT

For The Year Ended
December 31, 1985

LETTER OF TRANSMITTAL

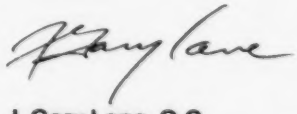
Regina, Saskatchewan
April 4, 1986

The Honourable F. W. Johnson,
Lieutenant Governor,
Province of Saskatchewan.

Sir:

I have the honour to submit herewith the annual report of the Saskatchewan Development Fund Corporation for the year ended December 31, 1985, including the financial statements therefor, duly certified by the Provincial Auditor and in the form approved by the Treasury Board, all in accordance with The Saskatchewan Development Fund Act, 1974.

I have the honour to be, Sir, your obedient servant,



J. Gary Lane, Q.C.
Minister Responsible,
Saskatchewan Development Fund Corporation

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ANNUAL REPORT

OF

THE SASKATCHEWAN DEVELOPMENT FUND

CORPORATION

FOR THE YEAR ENDED DECEMBER 31, 1985

THE SASKATCHEWAN DEVELOPMENT FUND CORPORATION

BOARD OF DIRECTORS

Mr. M.D. Acton, Q.C., Chairman
Honourable J. Gary Lane, Q.C., Vice-Chairman
Mr. D. Heron
Mr. W.J. Craddock

SECRETARY TO THE BOARD

Mr. D. Baldwin

ACTING GENERAL MANAGER

Mr. T.C. Lane

INVESTMENT MANAGEMENT

Saskatchewan Department of Finance

SASKATCHEWAN DEVELOPMENT FUND CORPORATION

CHAIRMAN'S REPORT

This past year has been one of achievement and productive change for the Saskatchewan Development Fund Corporation. The Corporation, as trustee, custodian and manager of the Saskatchewan Development Fund has watched the value of the Fund rise to its highest share value ever at the end of the current year. In addition, the Corporation has been brought under the management of the Crown Investments Corporation of Saskatchewan where the Corporation is presently being administratively streamlined such that new in-house computer systems and other management enhancements will provide more efficient service to the shareholders of the Saskatchewan Development Fund and to the Corporation's annuitants.

We look forward to 1986 with the belief that the new foundation established this year will have a positive impact on not only the Corporation's operations but also on the services provided to those it will serve in the years to come.

Murray D. Acton, Q.C.
Chairman

Saskatchewan Development Fund Corporation

History and Current Highlights — 1985

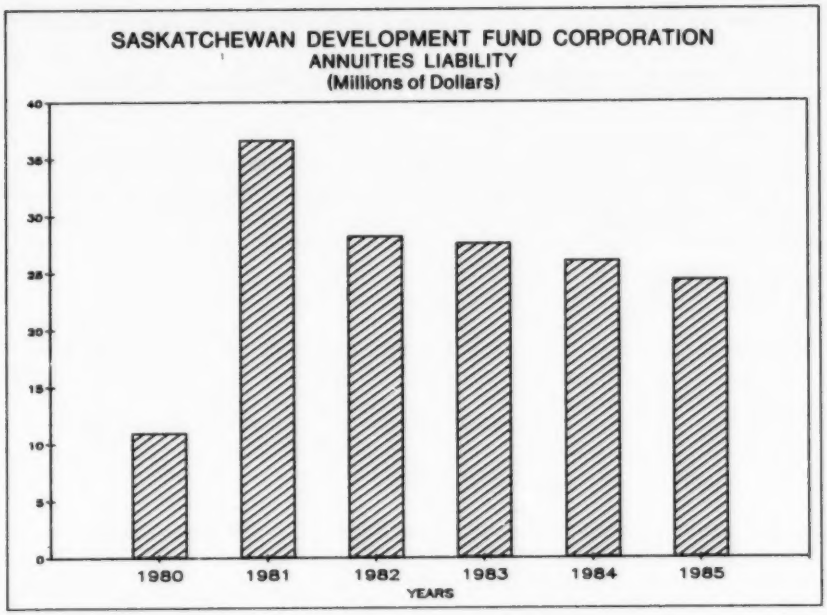
The Saskatchewan Development Fund Corporation (the Corporation) was established in 1974 under The Saskatchewan Development Fund Act to perform the duties of trustee, custodian and manager for the Saskatchewan Development Fund (the Fund), an open-end investment trust. The Corporation initially managed the affairs of the Saskatchewan Development Fund and in turn received management fees and sales charges for its services from the Fund.

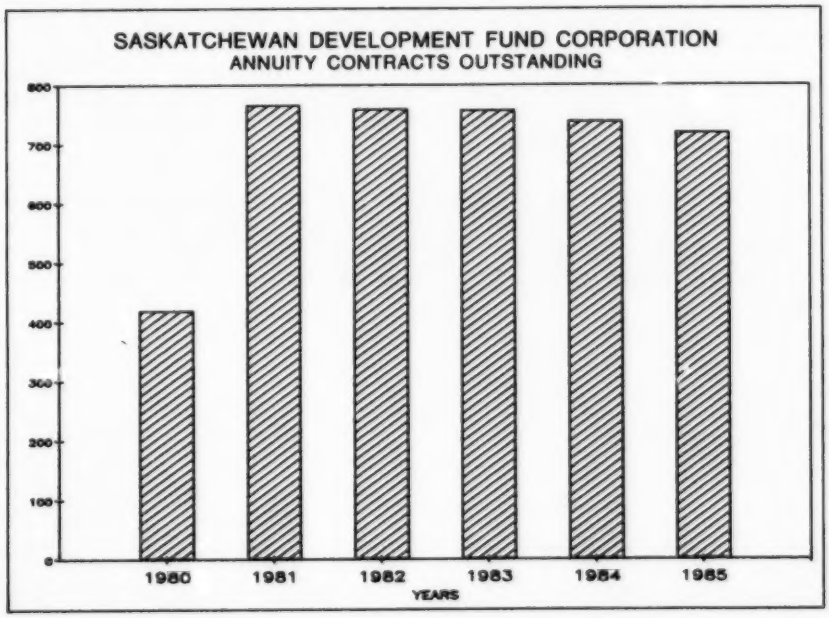
In 1976, the Corporation expanded its operations to include an annuity business which offered several different types of annuities to the public. These annuities included term-certain annuities for those wishing to receive a retirement income, Income Averaging Annuity Contracts (IAAC's) during the period of time when these annuities were popular and general annuities for those desiring an investment vehicle with combined savings and growth potential.

The Corporation continues to manage the affairs of the Saskatchewan Development Fund although it no longer offers annuities to the public. In 1985, the Corporation moved its operations to the offices of the Crown Investments Corporation of Saskatchewan and is now administered by the Corporation's Board of Directors through the use of staff and facilities provided by the Crown Investments Corporation of Saskatchewan.

The Corporation reported net earnings in 1985 of $288 thousand compared to net earnings in 1984 of $330 thousand. Total assets in 1985 were $26.1 million compared to $27.4 million in 1984.

The 1985 annual report represents a departure from the format of previous annual reports. For the first time, the results of the annuity operations as well as its assets and liabilities have been combined with those of the Corporation. It is hoped that this presentation will better reflect the overall financial position and results of the Corporation.


SASKATCHEWAN DEVELOPMENT FUND CORPORATION
ANNUITIES LIABILITY
(Millions of Dollars)
40
35
30
25
20
15
10
5
0
1980
1981
1982
1983
1984
1985
YEARS


SASKATCHEWAN DEVELOPMENT FUND CORPORATION
ANNUITY CONTRACTS OUTSTANDING
800
700
600
500
400
300
200
100
0
1980
1981
1982
1983
1984
1985
YEARS

MANAGEMENT'S RESPONSIBILITY for FINANCIAL REPORTING in the ANNUAL REPORT

Management has prepared the financial statements of the Saskatchewan Development Fund Corporation in accordance with generally accepted accounting principles applied on a consistent basis with that of the previous year. The financial data included elsewhere in this report is consistent with the financial statements and the underlying information from which these financial statements were prepared.

Management has the primary responsibility for the integrity and objectivity of the financial statements. To fulfill this responsibility, the Corporation maintains appropriate systems of internal controls, policies and procedures to provide reasonable assurance that assets are safeguarded and that the books and records reflect the authorized transactions of the Corporation.

The auditors have reviewed the systems of internal control and examined the financial statements in accordance with generally accepted auditing standards to enable them to express their opinion on the financial statements. Their report appears on the following page.

The financial statements have been examined and approved by the Board of Directors.

On behalf of the Saskatchewan Development Fund Corporation.

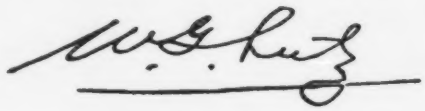
T. C. Lane,
Acting General Manager

AUDITOR'S REPORT

To the Members of the Legislative Assembly
of Saskatchewan

I have examined the statement of financial position of the Saskatchewan Development Fund Corporation as at December 31, 1985 and the statements of earnings and reinvested earnings and cash flows for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Corporation as at December 31, 1985 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied, after giving retroactive effect to the change in presenting the annuity fund section of the Corporation as explained in Note 3 to the financial statements, on a basis consistent with that of the preceding year.



Regina, Saskatchewan
April 2, 1986

W. G. Lutz, F.C.A.,
Provincial Auditor.

SASKATCHEWAN DEVELOPMENT FUND CORPORATION
STATEMENT OF FINANCIAL POSITION
As at December 31

	1985	1984 (Note 11)
ASSETS		
Current Assets		
Cash	$ 71,302	$ 53,145
Short term deposits (Note 4)	1,880,753	2,245,094
Accounts receivable	13,821	—
Due from Saskatchewan Development Fund	—	8,882
Interest receivable	770,222	960,674
Current portion of loans receivable	619,271	607,669
Prepaid expenses	—	6,915
	3,355,369	3,882,379
Loans receivable (Note 5)	11,669,105	12,288,376
Investments (Note 6 & Schedule)	11,074,561	11,217,631
Fixed assets (Note 7)	1,463	1,829
	$26,100,498	$27,390,215
LIABILITIES AND PROVINCE'S EQUITY		
Current Liabilities		
Accounts payable	$ 103,284	$ 1,539
Due to Saskatchewan Development Fund	10,640	—
Current portion of annuities payable	1,950,000	1,501,456
	2,063,924	1,502,995
Annuities payable (Note 8)	22,443,816	24,582,654
	24,507,740	26,085,649
Contingent liability (Note 9)		
Province of Saskatchewan's Equity		
Advances (Note 10)	1,497,175	1,497,175
Reinvested earnings (deficit)	95,583	(192,609)
	1,592,758	1,304,566
	$26,100,498	$27,390,215

APPROVED ON BEHALF OF THE BOARD:

DIRECTOR

DIRECTOR

(See accompanying notes)

SASKATCHEWAN DEVELOPMENT FUND CORPORATION
STATEMENT OF EARNINGS AND REINVESTED EARNINGS

Year ended December 31

	1985	1984 (Note 11)
Revenue:		
Interest — investments	$1,677,329	$1,951,793
Interest — loans	1,713,013	1,790,432
Fund management (Note 12)	87,553	108,939
Gain on disposition of investments	82,022	66,520
	3,559,917	3,917,684
Expenses:		
Interest — annuities	3,065,027	3,248,637
Interest on promissory notes — Province of Saskatchewan	—	131,589
Write-down of investments to net realizable value	39,217	72,075
Salaries and employee benefits	81,986	59,265
Administrative (Note 13)	85,495	76,251
	3,271,725	3,587,817
Net earnings	288,192	329,867
Reinvested earnings (deficit), beginning of year	(192,609)	(522,476)
Reinvested earnings (deficit), end of year	$ 95,583	$ (192,609)

(See accompanying notes)

SASKATCHEWAN DEVELOPMENT FUND CORPORATION
STATEMENT OF CASH FLOWS

Year Ended December 31

	1985	1984
Cash provided by (used in) operating activities		
Net earnings	$ 288,192	$ 329,867
Add charges (credits) to operations not requiring a current cash payment:		
Amortization of discounts	(34,959)	(46,087)
Gain on disposition of investments	(82,022)	(66,520)
Write-down of investments to net realizable value	39,217	72,075
Depreciation	366	506
	210,794	289,841
Net change in non-cash working capital balances related to operations (Note 14)	304,813	277,865
Cash provided by operating activities	515,607	567,706
Cash provided by (used in) investment activities		
Purchase of investments	(11,405)	(72,075)
Proceeds from sale of investments	213,985	919,520
Collection of principal on mortgages	18,254	13,407
Purchase of fixed assets	—	(94)
Cash provided by investment activities	220,834	860,758
Cash provided by (used in) financing activities		
Collection of loans receivable — Saskatchewan Development Fund	—	1,700,000
Repayment of promissory notes — Province of Saskatchewan	—	(1,700,000)
Collection of loans receivable	607,669	318,084
Proceeds from sale of annuity contracts	429,610	275,236
Repayment of annuities	(2,119,904)	(1,810,106)
Cash (used in) financing activities	(1,082,625)	(1,216,786)
Net increase (decrease) in cash during the year	(346,184)	211,678
Cash position*, beginning of year	2,298,239	2,086,561
Cash position*, end of year	$1,952,055	$2,298,239

* Cash position is comprised of cash and short term deposits

(See accompanying notes)

SASKATCHEWAN DEVELOPMENT FUND CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1985

1. Significant Accounting Policies

The Saskatchewan Development Fund Corporation's accounting policies are in accordance with generally accepted accounting principles. The following are considered to be significant:

Investments —

Short term deposits

Short term deposits are valued at cost. This valuation approximates their quoted market value.

Bonds and debentures

Investments in bonds and debentures are carried at amortized cost. Discounts and premiums in excess of $1,000 on the investment's purchase date are amortized to income on the straight-line method over the remaining life of the investment.

Shares

Investments in shares are carried at cost less write-downs for any permanent decline in value, when appropriate. Dividends are recognized as income on the ex-dividend date.

Mortgages

Mortgages are carried at amortized cost.

Fixed Assets —

Fixed assets are initially recorded at cost. Normal maintenance and repair expenditures are expensed as incurred.

Depreciation on furniture and equipment is provided on the diminishing balance basis at 20% per annum. No depreciation is taken in the year of disposal. It is expected that these procedures will charge operations with the total cost of the assets less the estimated salvage value over their useful life. Gain or loss on the disposal of individual assets is recognized as income in the year of disposal.

2. Status of the Corporation

The Saskatchewan Development Fund Corporation was established in 1974 under The Saskatchewan Development Fund Act to perform the duties of trustee, custodian and manager for the Saskatchewan Development Fund. In 1976, the Corporation also instituted an annuity business as part of its operations. The annuity operations are reflected in these financial statements. Effective January 1, 1986, the Corporation ceased to offer new annuities to the public.

The Corporation has been designated by Order-in-Council as a corporation to which the provisions of Part II of The Crown Corporations Act, 1978 apply. Accordingly the financial results of the Corporation are included in the consolidated financial statements of the Crown Investments Corporation of Saskatchewan.

3. Change in Financial Statement Presentation

During 1985, the Corporation's Board of Directors made a decision to change the financial statement presentation of both the Corporation and the Saskatchewan Development Fund. This change involved the inclusion of the assets, liabilities, surplus, revenues and expenses of what had been classified in prior years as the Annuity Fund Section of the Saskatchewan Development Fund within the financial statements of the Corporation. The effect of this change in the 1985 financial statements has been to increase net earnings by $226,510, total assets by $25,365,027, total liabilities by $24,404,456 and reinvested earnings by $960,570.

This change has also been retroactively applied to the Corporation's 1984 comparative figures with the following changes being made to the Corporation's financial statements:

1) 1984 net earnings, previously reported as $92,966, have been restated as $329,867 to include the 1984 increase in Annuity Fund Surplus as part of the net earnings of the Corporation,

2) Total assets, previously reported as $572,008 as at December 31, 1984, have been restated as $27,390,215 to reflect the combined assets of the annuity operation and the Corporation,

3) Total liabilities, previously reported as $1,502 as at December 31, 1984, have been restated as $26,085,649 to reflect the combined liabilities of the annuity operation and the Corporation,

4) The deficit as at December 31, 1983 previously stated as $1,019,635 has been restated as $522,476 to reflect the combination of the Corporation's deficit and the annuity operation's surplus as at that date, and

5) 1984 revenues and expenses, previously reported as $356,942 and $263,976, have been restated as $3,917,684 and $3,587,817 respectively to reflect the combined operating results of the annuity operation and the Corporation.

4. Short Term Deposits

Short term deposits include $650,000 (1984-$520,000) invested with the Crown Investments Corporation of Saskatchewan at prime related interest rates.

5. Loans Receivable

	1985	1984
Loans receivable at various interest rates, repayable in equal monthly installments until maturity	$12,288,376	$12,896,045
Less current portion	619,271	607,669
Long-term portion of loans receivable	$11,669,105	$12,288,376

6. Prior Period Correction

Investment in corporate debentures as at December 31, 1984 has been reduced by $30,071 and investment in shares has been increased by $30,071 to reflect the correction of a misclassification in the Schedule of Investments as at that date. The cost of 73,343 Class A Special Common shares of Nu-West Group Limited received in 1984 had been included in the cost of the Nu-West Group Limited debentures and neither the shares nor their cost were reflected separately in the 1984 annual report.

In addition, the 1984 Statement of Earnings and Reinvested Earnings has been restated as follows. Interest from investments has been increased by $72,075 to reflect the receipt of interest amounts previously unrecorded. Write-down of investments to net realizable value has also been increased by $72,075 to reflect a reduction in the carrying value of the Corporation's investment in the Nu-West Group Limited. These restatements have no effect on the 1984 net earnings previously reported.

7. Fixed Assets

	1985	1984
Furniture and equipment	$8,293	$8,293
Accumulated depreciation	6,830	6,464
Net book value	$1,463	$1,829

8. Annuities Payable

	1985	1984
Annuities payable at various interest rates in monthly, quarterly, semi-annual and annual installments until maturity	$24,393,816	$26,084,110
Less current portion	1,950,000	1,501,456
	$22,443,816	$24,582,654

9. Contingent Liability

The Saskatchewan Development Fund Act requires that the Corporation guarantee the difference between the market value of each shareholder's investment in the Saskatchewan Development Fund upon redemption and the value of the shareholder's original investment (net of initial sales charges) including accrued interest on the investment at an annual rate of 5%. This guarantee applies only if the market value of the shareholder's investment is lower than the guaranteed amount.

The guarantee liability under this provision throughout 1985 did not exceed the market value of any investment redeemed in the current year. Therefore the Corporation did not pay any amounts to the Saskatchewan Development Fund's shareholders in 1985 under this provision.

10. Advances

These advances are non-interest bearing and repayable to the Crown Investments Corporation of Saskatchewan at its discretion.

11. Comparative Figures

Certain of the prior year's figures, presented here for the purpose of comparison, have been reclassified to conform to the current year's presentation.

12. Management Fees

The Corporation recovers the costs it incurs in the management of the Saskatchewan Development Fund (the Fund) by charging the Fund a management fee. This fee is limited by the Saskatchewan Development Fund Act to the lesser of 1¼% of the net value of the assets of the Fund or those corporate expenses directly attributable to the management of the Fund on an annual basis.

13. Lease Commitments

During the year, the Corporation moved its offices to the premises of the Crown Investments Corporation of Saskatchewan (CIC) and entered into a two year lease agreement with CIC which expires on May 15, 1987. Minimum annual lease payments for the next two years are as follows:

1986	$14,556
1987	$ 5,459

The lease renews automatically in 1987 on an annual basis at the option of the Corporation and CIC.

14. Net Change in Non-Cash Working Capital Balances Related To Operations

	1985	1984
(Increase) decrease in accounts receivable	$ (13,821)	$ 7,875
(Increase) decrease in interest receivable	190,452	275,825
(Increase) decrease in prepaid expenses	6,915	1,383
Increase (decrease) in accounts payable	101,782	(48,528)
Increase (decrease) in due to Saskatchewan Development Fund	19,485	41,310
	$304,813	$277,865

15. Remuneration of Directors

As at December 31, 1985, four persons (1984-four) served on the Corporation's Board of Directors. The Corporation's directors received $1,222 (1984-$3,471) from the Saskatchewan Development Fund Corporation in 1985.

16. Related Party Transactions

Included in these financial statements are income and expense amounts resulting from routine operating transactions conducted at prevailing market prices with various Saskatchewan Crown controlled departments, agencies and corporations and with which the Corporation is related.

Account balances resulting from these transactions are included in the statements of financial position and are settled on normal trading terms.

Other amounts due to and from related parties and the terms of settlement are described separately in the financial statements and the notes thereto.

SASKATCHEWAN DEVELOPMENT FUND CORPORATION
SCHEDULE OF INVESTMENTS
DECEMBER 31, 1985

Description	Rate	Maturity Date	1985 Market Value	1985 Amortized Cost	1984 Amortized Cost
Dominion, Provincial and Municipal Bonds					
Saskatchewan	8.75%	Dec. 01/90	$ 971,060	$ 886,270	$ 863,143
Saskatchewan	10.00%	Dec. 02/99	397,044	408,487	409,097
B.C. Hydro	14.50%	Apr. 14/06	—	—	37,914
B.C. Municipal Finance	10.25%	May 15/99	202,174	172,574	170,523
B.C. Municipal Finance	12.25%	Dec. 06/99	555,000	500,000	500,000
N.B. Electric	13.75%	May 15/90	226,426	200,000	200,000
Nova Scotia Power	9.375%	Jan. 10/03	184,256	198,297	198,197
Ontario Hydro	9.375%	Jan. 25/05	466,850	488,524	487,922
Prince Edward Island	10.625%	Apr. 18/04	252,540	250,000	249,035
			3,255,350	3,104,152	3,115,831
Corporate Debentures					
Avco Finance	13.00%	Nov. 01/89	215,000	199,200	198,992
Bank of Montreal	11.75%	Sept. 08/91	280,000	217,807	215,269
C.I.B.C.	12.75%	Sept. 01/88	482,310	450,000	450,000
Credit Foncier	14.50%	Apr. 21/85	—	—	10,000
Consumers' Gas	18.50%	Oct. 01/86-91	330,670	250,000	250,000
Dofasco	13.50%	Nov. 01/00	286,250	249,073	249,011
Edmonton Centre	9.25%	Apr. 01/99	183,538	193,188	192,749
GMAC	16.00%	Dec. 03/86	210,152	200,000	200,000
Great West Life	12.50%	Nov. 15/88	532,660	500,000	500,000
Inland Natural Gas	18.25%	Nov. 15/86-96	291,561	199,000	213,000
Maritime Tel	16.50%	July 15/86	257,807	250,000	250,000
Maritime Tel	10.75%	Mar. 15/97	259,060	259,104	259,916
Nabisco Brands	14.00%	Mar. 15/00	545,817	442,000	471,000
Nova, An Alta. Corp.	17.75%	Feb. 15/97	139,281	106,981	108,889
Nu-West Group	11.50%	May 31/99	53,974	53,974	80,929
Pacific Northern Gas	18.00%	May 01/97	626,708	430,000	465,000
R.M. Halton, Ont.	13.75%	Dec. 01/86-90	272,633	250,000	250,000
Roynat Inc.	17.00%	July 29/86	207,520	200,000	200,000
Simpson Sears	14.75%	Apr. 01/96	113,608	99,317	99,250
Simpson Sears	12.75%	June 15/00	433,980	375,000	375,000
Stelco	13.50%	Oct. 01/00	109,325	96,000	100,000
Traders Group	9.50%	June 15/91	92,434	85,385	82,156
Victoria & Grey	12.25%	July 22/88	526,710	500,000	500,000
Walker Home Oil	15.50%	Dec. 15/86-91	189,931	153,181	151,279
West Coast Trans.	12.25%	July 15/00	434,000	386,186	385,236
			7,074,929	6,145,396	6,257,676

SCHEDULE OF INVESTMENTS (continued)

Description	Rate	Maturity Date	1985 Market Value	1985 Amortized Cost	1984 Amortized Cost
Mortgages					
Maritime Life Assurance	13.25%	May 01/90	266,741	249,058	247,817
Morguard Trust	12.00%	Aug. 01/92	106,321	102,962	104,859
Morguard Trust	12.00%	Oct. 01/92	107,283	103,840	105,640
Morguard Trust	12.00%	Aug. 01/93	110,674	106,837	108,512
Morguard Trust	10.75%	June 01/88	103,618	104,141	106,056
Morguard Trust	10.75%	June 01/88	103,705	104,228	106,134
Morguard Trust	11.375%	June 01/89	296,126	293,171	297,693
Morguard Trust	11.375%	Nov. 01/94	193,217	191,981	194,789
Morguard Trust	12.875%	Dec. 01/91	340,098	318,928	320,445
Toronto-Dominion Bank	14.75%	Apr. 01/87	229,779	220,653	222,108
			1,857,562	1,795,799	1,814,053
Shares					
Nu-West Group Limited (77,905 (1984-73,343) Special Common shares, Class A)			29,214	29,214	30,071
Total all investments			$12,217,055	$11,074,561	$11,217,631

ANNUAL REPORT

OF

THE SASKATCHEWAN DEVELOPMENT FUND

FOR THE YEAR ENDED DECEMBER 31, 1985

THE SASKATCHEWAN DEVELOPMENT FUND

REPORT TO SHAREHOLDERS

1985

Saskatchewan Development Fund

History and Current Highlights — 1985

The Saskatchewan Development Fund (the Fund) was established in 1974 as an open-end investment trust (mutual fund) under The Saskatchewan Development Fund Act. Over the years, the Fund offered five types of investment accounts to the public. These were registered retirement savings plans (RRSP's), registered home ownership savings plans (RHOSP's), deferred profit sharing plans (DPSP's), registered retirement income funds (RRIF's) and regular shareholder accounts.

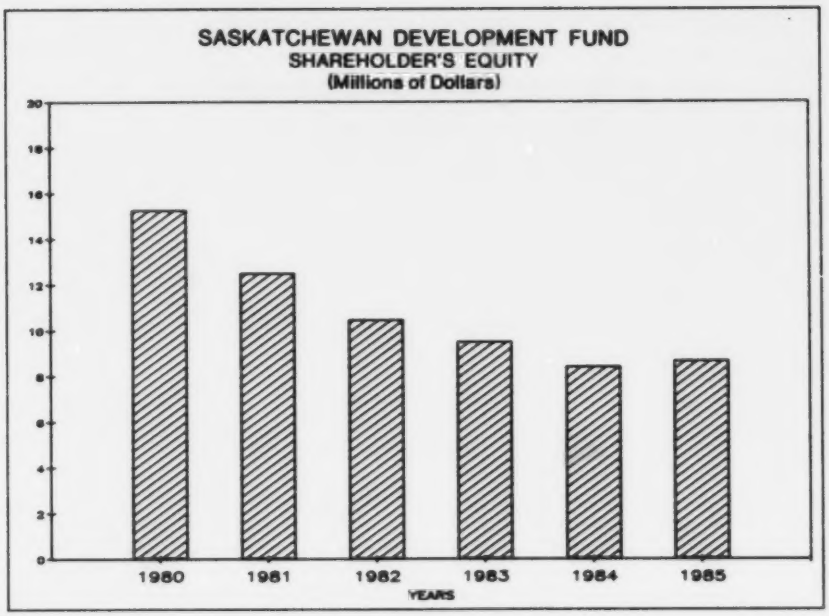
In 1983, the Fund discontinued the sale of new shares to the public and became a discontinued open-end mutual fund.

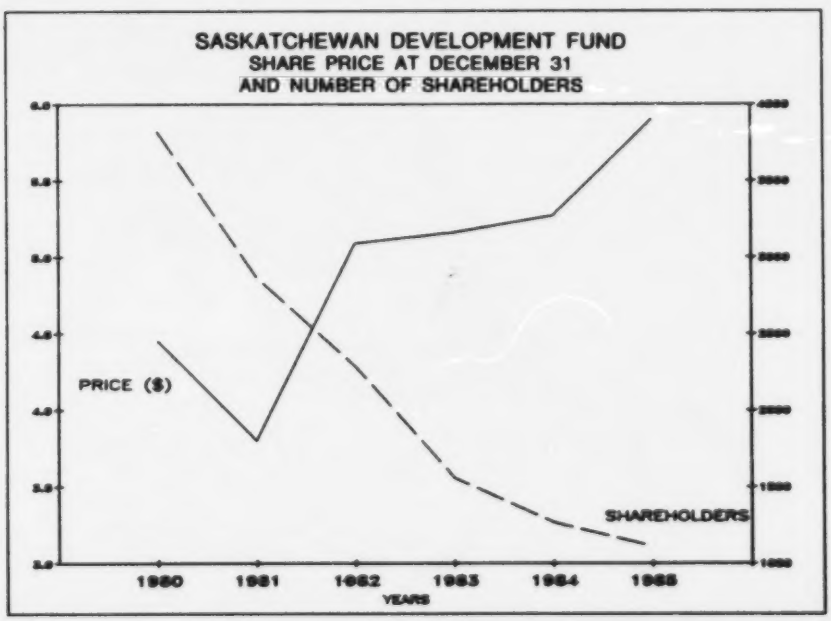
The Fund has been administered since its inception by the Saskatchewan Development Fund Corporation (the Corporation). The Corporation was created initially for this purpose only.

The Saskatchewan Development Fund performed well in 1985 rising to its highest ever share value of $5.90 as at December 31, 1985. This represented an increase of 63 cents per share over 1984's closing share value of $5.27. Earnings per share remained comparable to prior years at 53 cents per share, down slightly from earnings of 55 cents per share in 1984. The net assets of the Fund as at December 31, 1985 were distributed to shareholders by type of account as follows:

	Market Value	Number of Investors
Retirement Savings Plans	$6,596,480	696
Regular Accounts	1,795,339	396
Deferred Profit Sharing Plans	255,739	9
Home Ownership Savings Plans	45,341	8
	$8,692,899	1,109

This year's annual report represents a departure from previous annual reports in that a new style of financial statement has been adopted. It is felt that the new format will better represent the performance of all aspects of the Fund. The format has been retroactively applied to the 1984 figures presented herein for comparative purposes. The format is also consistent with that used by other mutual funds in Canada.

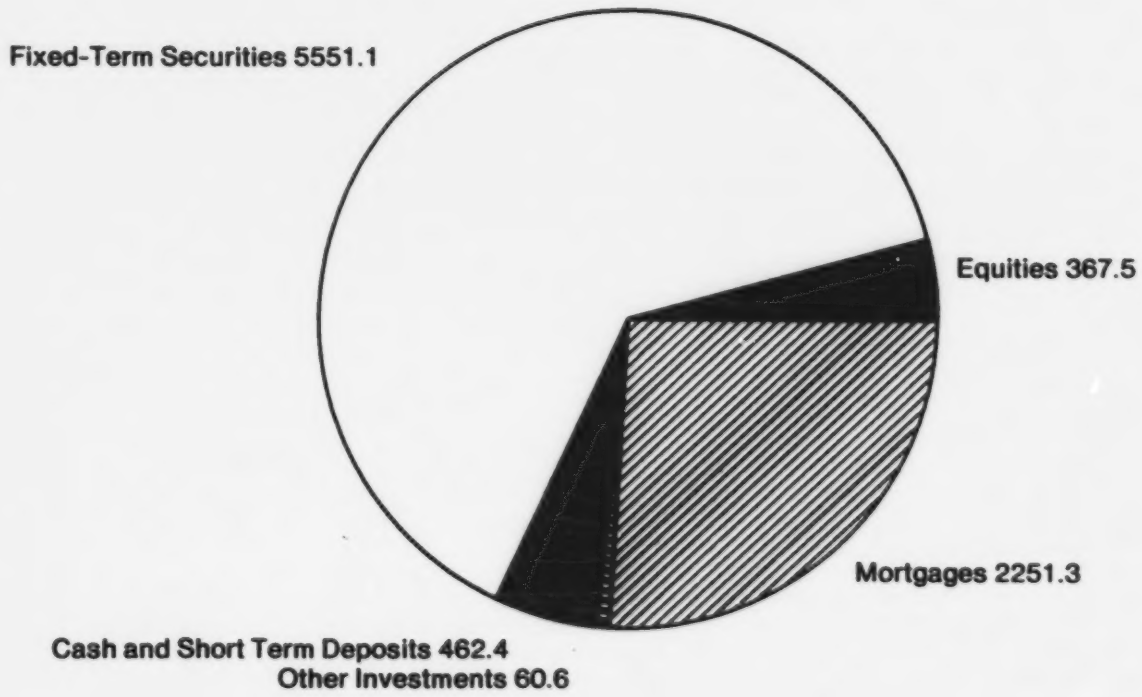

SASKATCHEWAN DEVELOPMENT FUND
SHAREHOLDER'S EQUITY
(Millions of Dollars)
20
18
16
14
12
10
8
6
4
2
0
1980
1981
1982
1983
1984
1985
YEARS


SASKATCHEWAN DEVELOPMENT FUND
SHARE PRICE AT DECEMBER 31
AND NUMBER OF SHAREHOLDERS
PRICE ($)
SHAREHOLDERS
1980
1981
1982
1983
1984
1985
YEARS

SASKATCHEWAN DEVELOPMENT FUND

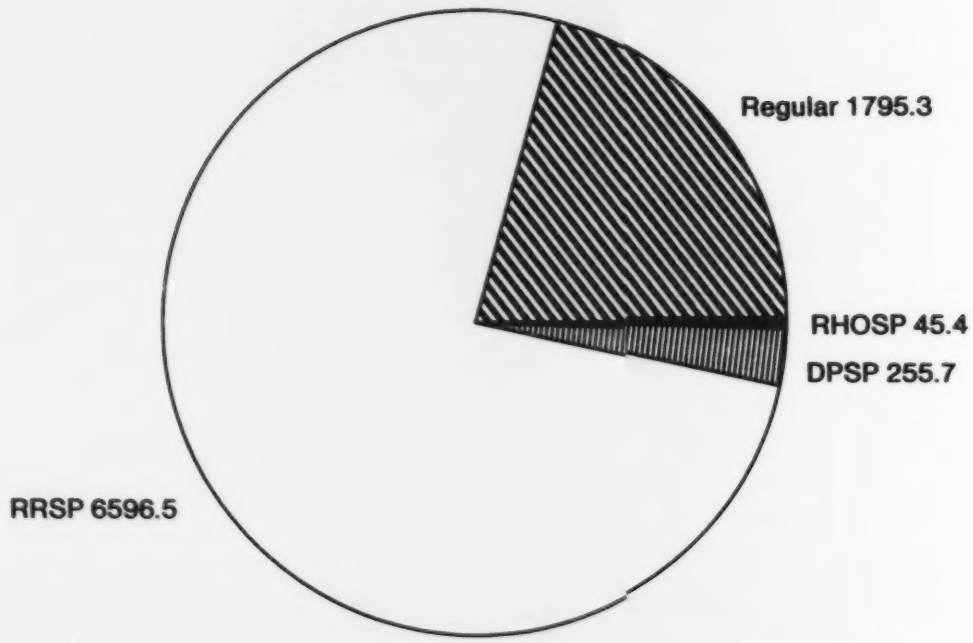
Where the Funds Are Invested

(in thousands of dollars)



SASKATCHEWAN DEVELOPMENT FUND

Breakdown By Plan Type
(in thousands of dollars)



MANAGEMENT'S RESPONSIBILITY for FINANCIAL REPORTING in the ANNUAL REPORT

Management of the Saskatchewan Development Fund Corporation has prepared the financial statements of the Saskatchewan Development Fund in accordance with generally accepted accounting principles applied on a consistent basis with that of the previous year. The financial data included elsewhere in this report is consistent with the financial statements and the underlying information from which these financial statements were prepared.

Management has the primary responsibility for the integrity and objectivity of the financial statements. To fulfill this responsibility, the Fund maintains appropriate systems of internal controls, policies and procedures to provide reasonable assurance that assets are safeguarded and that the books and records reflect the authorized transactions of the Fund.

The auditors have reviewed the systems of internal control and examined the financial statements in accordance with generally accepted auditing standards to enable them to express their opinion on the financial statements. Their report appears on the following page.

The financial statements have been examined and approved by the Board of Directors.

On behalf of the Saskatchewan Development Fund.

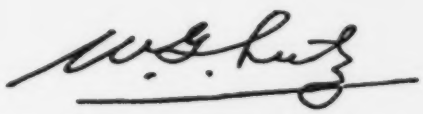
T. C. Lane,
Acting General Manager,
Saskatchewan Development Fund Corporation

AUDITOR'S REPORT

To the Members of the Legislative Assembly
of Saskatchewan

I have examined the statement of assets and liabilities of the Saskatchewan Development Fund as at December 31, 1985 and the statements of earnings and change in net assets and realized gain (loss) on sale of investments for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Saskatchewan Development Fund as at December 31, 1985 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied, after giving retroactive effect to the change in presenting the annuity fund section as explained in Note 3 to the financial statements, on a basis consistent with that of the preceding year.



Regina, Saskatchewan
April 2, 1986

W. G. Lutz, F.C.A.,
Provincial Auditor.

SASKATCHEWAN DEVELOPMENT FUND
STATEMENT OF ASSETS AND LIABILITIES
As at December 31

	1985	1984 (Note 6)
ASSETS		
Investments at market value (Note 1 & Schedule)	$8,169,880	$7,785,157
Cash and short term deposits	462,404	558,921
Interest receivable	122,740	172,324
Due from Saskatchewan Development Fund Corporation	10,640	–
	8,765,664	8,516,402
LIABILITIES		
Payable for shares of the Fund redeemed	72,765	76,920
Due to Saskatchewan Development Fund Corporation	–	8,882
	72,765	85,802
NET ASSETS REPRESENTING SHAREHOLDERS' EQUITY 1,473,099 shares (1984-1,598,944 shares) (Notes 4 & 5)	$8,692,899	$8,430,600
NET ASSET VALUE PER SHARE	$5.90	$5.27

APPROVED ON BEHALF OF THE BOARD:

DIRECTOR

DIRECTOR

(See accompanying notes)

SASKATCHEWAN DEVELOPMENT FUND
STATEMENT OF EARNINGS
Year Ended December 31

	1985	1984 (Note 6)
Income:		
Interest	$ 867,684	$1,156,811
Dividends	12,929	4,844
	880,613	1,161,655
Expenses: (Note 9)		
Management fee (Note 10)	80,283	105,122
Interest on loan from the Saskatchewan Development Fund Corporation	—	131,589
Other expenses	3,777	4,449
	84,060	241,160
Net earnings for the year	$ 796,553	$ 920,495

(See accompanying notes)

SASKATCHEWAN DEVELOPMENT FUND
STATEMENTS OF CHANGE IN NET ASSETS AND REALIZED GAIN (LOSS) ON SALE OF INVESTMENTS

Year Ended December 31

	1985	1984 (Note 6)
CHANGE IN NET ASSETS		
Net assets at beginning of year	$ 8,430,600	$ 9,526,538
Proceeds from sale of shares (Note 5)	46,045	—
Net earnings for the year	796,553	920,495
Net realized gain on sale of investments	611	—
Net unrealized appreciation of investments	931,723	255,078
	10,205,532	10,702,111
Less:		
Cost of shares redeemed	1,512,633	2,155,031
Net realized loss on sale of investments	—	116,480
	1,512,633	2,271,511
Net assets at end of year	$ 8,692,899	$ 8,430,600
Net asset value per share	$ 5.90	$ 5.27
REALIZED GAIN (LOSS) ON SALE OF INVESTMENTS		
Proceeds from sale of investments	$ 1,592,680	$ 6,963,570
Cost of investments sold during the year*	1,592,069	7,080,050
Net realized gain (loss) on sale of investments	$ 611	$ (116,480)
*Cost of Investments Sold During The Year		
Cost of investments at beginning of year	$ 8,445,315	$12,127,892
Cost of investments purchased during the year	1,073,125	4,045,750
Amortization of discounts and premiums	3,097	2,264
Collection of principal on mortgages	(31,152)	(650,541)
	9,490,385	15,525,365
Cost of investments at end of year	7,898,316	8,445,315
Cost of investments sold during the year	$ 1,592,069	$ 7,080,050

(See accompanying notes)

SASKATCHEWAN DEVELOPMENT FUND
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 1985

1. **Summary of Accounting Policies:**

The following accounting policies are considered to be significant:

Valuation of investments —

The market value of the Saskatchewan Development Fund's investments is determined monthly as follows on the advice of the Investment Manager, Investment and Financial Services Branch of the Department of Finance, Province of Saskatchewan:

a) Short term deposits are valued at cost. This valuation approximates their quoted market value.

Securities listed upon a recognized public stock exchange are valued at their closing price on the valuation date.

Securities not traded on that date are valued at a price between the latest closing recorded asked and bid prices.

Mortgages are valued at their net present value by discounting their stated rates of return to current required rates of return.

b) Securities not listed upon any exchange are valued in the same manner based upon any available public quotation in common use or at a price estimated to be the true value thereof.

Investment transactions and income —

Investment transactions are accounted for on the trade date. Interest income is accrued monthly and dividend income is recognized on the ex-dividend date. Realized gains and losses from investment transactions are calculated in accordance with the specific identification method. Discounts and premiums in excess of $1,000 on the security's purchase date are amortized to income on a straight line basis over the remaining life of the security.

2. **Status of the Fund:**

The Saskatchewan Development Fund (the Fund) was established as an open-end investment trust in 1974 pursuant to The Saskatchewan Development Fund Act and is managed under the auspices of the Saskatchewan Development Fund Corporation which performs the duties of trustee, custodian and manager for the fund. On July 15, 1983, the Saskatchewan Development Fund discontinued the sale of new shares and became a "closed end" investment trust.

3. Change in Financial Statement Presentation:

During 1985, the Saskatchewan Development Fund Corporation's Board of Directors made a decision to change the financial statement presentation of both the Saskatchewan Development Fund Corporation and the Saskatchewan Development Fund. This change involved the removal from the Saskatchewan Development Fund of the assets, liabilities, surplus, revenues and expenses of what had been classified in prior years as the Annuity Fund Section. These items are now included within the financial statements of the Saskatchewan Development Fund Corporation. This change has been retroactively applied to the Saskatchewan Development Fund's 1984 comparative figures.

4. Taxation:

The Fund qualifies as a mutual fund trust under the Income Tax Act and is fully registered to administrate five types of equity accounts. These are registered retirement savings plans, registered home ownership savings plans, deferred profit sharing plans, registered retirement income funds and regular shareholder accounts.

5. Shareholders' Equity:

a) Shareholders' equity includes the amounts representing the shareholders' net initial investments, reinvested earnings, realized gains (losses) on sale of investments and unrealized appreciation (depreciation) of investments.

b) The shares of the Fund are redeemable at the option of the holder in accordance with the provisions of The Saskatchewan Development Fund Act and with respect to the taxation status of the shareholder's account. The Fund is now a "closed end" investment trust and has taken on no new contributions since July 15, 1983 except where contractual arrangements had been made prior to July 15, 1983.

6. Comparative Figures:

Certain of the prior year's figures, presented here for the purpose of comparison, have been reclassified to conform to the current year's presentation.

7. Net Asset Value Per Share:

The net asset value per share as at the end of the last five completed financial years of the Saskatchewan Development Fund was as follows:

	Year ended December 31				
	1985	1984	1983	1982	1981
Net asset value per share	$5.90	$5.27	$5.16	$5.09	$3.80

8. Net Earnings Per Share:

The following are the net earnings per share of the Saskatchewan Development Fund for the years indicated based on the average number of shares outstanding during the year:

	Year Ended December 31				
	1985	1984	1983	1982	1981
Net income per share (in cents)	52.8	54.6	56.5	49.8	46.1

9. Expense Ratio:

The following is the ratio of all expenses of the Saskatchewan Development Fund expressed as a percentage of the average of the net assets calculated for the purpose of the redemption of shares of the Fund as at each valuation date of the Fund:

	Year Ended December 31				
	1985	1984	1983	1982	1981
Expense ratio	1.01%	2.93%	2.78%	5.38%	5.01%

10. Management Fees:

The Saskatchewan Development Fund Corporation recovers the costs it incurs in the management of the Saskatchewan Development Fund by charging the Fund a management fee. This fee is limited by The Saskatchewan Development Fund Act to the lesser of 1¼% of the net value of the assets of the Fund or those corporate expenses directly attributable to the management of the Fund on an annual basis.

SASKATCHEWAN DEVELOPMENT FUND
MUTUAL FUND SECTION
SCHEDULE OF INVESTMENTS

December 31, 1985

Description	Rate	Maturity Date	Amortized Cost	Market Value
Dominion, Provincial and Municipal Bonds				
Saskatchewan	10.00%	Dec. 02/99	$1,023,476	$ 987,438
Saskatchewan	10.25%	Apr. 01/01	979,140	953,325
Saskatchewan	9.00%	Feb. 01/02	843,184	858,088
Saskatchewan	9.50%	June 15/03	635,304	707,550
City of Regina	11.25%	Oct. 31/95	391,566	392,588
			3,872,670	3,898,989
Corporate Debentures				
Great West Life	12.75%	Nov. 15/93	500,000	567,890
Sask. Wheat Pool	9.875%	Aug. 01/97	155,000	152,263
			655,000	720,153
Convertible Debentures				
Royal Bank of Canada	11.25%	Dec. 09/91	793,470	932,000
Shares				
10,000 Dofasco Convertible Preferred	8.00%		325,000	367,500
Mortgages				
First City Trust	10.50%	Oct. 01/88	503,788	500,941
Morguard Trust	10.75%	Aug. 01/88	494,312	491,717
Morguard Trust	10.00%	Aug. 01/88	32,678	32,509
Morguard Trust	10.75%	Oct. 01/88	475,130	472,493
Morguard Trust	11.875%	May 01/92	209,855	219,995
Morguard Trust	10.75%	June 01/88	207,001	205,975
Morguard Trust	10.50%	June 01/88	97,046	96,555
Toronto-Dominion Bank	10.50%	Oct. 01/88	232,366	231,053
			2,252,176	2,251,238
			$7,898,316	$8,169,880